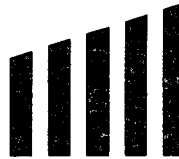
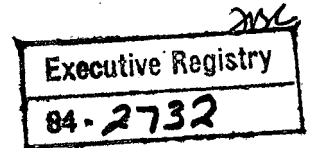


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AMERICAN BUSINESS CONFERENCE, INC.
A Coalition of Growth Companies



June 21, 1984

C
3 July 1984

The Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Director:

I wanted to take the opportunity to send you a few of the latest press releases and press clippings from the American Business Conference. As you will notice, we continue to strongly support the Administration and are delighted to see that these supportive statements consistently find their way into newspapers and magazines across the country.

Best wishes,

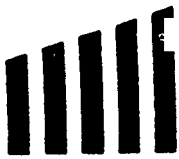
John M. Albertine
President

JMA/pn

Enclosures



P-310



AMERICAN BUSINESS CONFERENCE, INC.

A Coalition of Growth Companies

1025 Connecticut Avenue, N.W., Suite 209
Washington, D.C. 20036

Dr. John M. Albertine
President

for more information contact:
Cathi Smith
Director of Communications
(202) 822-9300

NEWS RELEASE

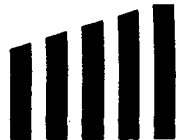
MAY 18, 1984

**STATEMENT
BY
DR. JOHN M. ALBERTINE
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE
ON
FIRST QUARTER GNP AND CORPORATE PROFITS**

AS TODAY'S REVISED GNP FIGURES SHOW, THIS CONTINUES TO BE A
RAZZLE-DAZZLE RECOVERY.

STRONG GAINS IN CONSUMPTION HAVE RAISED BUSINESS CONFIDENCE
TO THE POINT WHERE BUSINESS IS ONCE AGAIN WILLING TO HOLD
INVENTORIES. I THINK THE PROGNOSIS FOR OUR ECONOMY IS GOOD. THE
WORLD ECONOMY IS STARTING TO PICK UP, AND THIS SHOULD HELP TO
SHORE UP OUR ONLY WEAK SECTOR, NET EXPORTS.

CORPORATE PROFITS ARE PERFORMING AS THEY SHOULD AT THIS
STAGE OF THE CYCLE. THEY ARE STAYING RIGHT ON TRACK, INCREASING
AT A SOMEWHAT SLOWER PACE, AS ONE WOULD EXPECT. THE RECOVERY HAS
GATHERED TREMENDOUS MOMENTUM, AND I BELIEVE IT WILL JUST KEEP
ROLLING ALONG.



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NEWS RELEASE

JUNE 19, 1984

STATEMENT
ON
GNP
BY

DR. JOHN M. ALBERTINE,
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE

THE GROWTH PATTERN REVEALED BY TODAY'S REAL GNP STATISTICS IS NOTHING SHORT OF SPECTACULAR. THE FIRST QUARTER GROWTH FIGURE HAS BEEN REVISED UPWARD BY ALMOST A THIRD SINCE IT WAS FIRST ANNOUNCED, AND THE SECOND QUARTER FLASH IS MUCH HIGHER THAN THE CONSENSUS PREDICTED. IT GOES TO SHOW THAT YOU CAN NEVER GO WRONG BY BETTING AGAINST THE CONSENSUS OF OUR ECONOMIC WIZARDS. ONCE AGAIN, THEIR CAULDRONS HAVE COME UP A LITTLE DRY.

THE GNP FIGURES SHOULD IMPROVE PRESIDENT REAGAN'S CHANCES IN NOVEMBER. THE COMBINATION OF HIGH GROWTH AND FALLING INFLATION THAT IS EVIDENT IN THE STATISTICS FOR THE FIRST HALF OF THE YEAR SHOULD RESULT IN A STRONG ECONOMY BY ELECTION DAY. I EXPECT THAT THE UNEMPLOYMENT RATE WILL BE WELL BELOW 7% BY NOVEMBER, AND THE PRESIDENT WILL BE ABLE TO POINT TO A REDUCTION IN THE UNEMPLOYMENT RATE AND A BIG INCREASE IN EMPLOYMENT DURING HIS TERM.

THE WALL STREET JOURNAL.

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MONDAY, JUNE 18, 1984

Slower Growth Of the Economy Triggers Debate

Industry Output Rise of 0.4%,
Flat May Producer Prices
Confirm Easing of Pace

By ALAN MURRAY

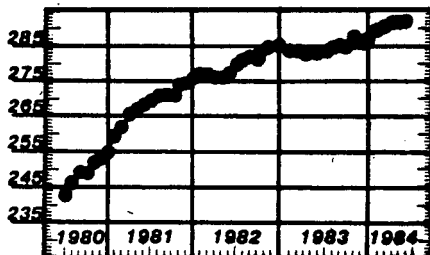
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Analysts differ about how much the economy's growth will brake in coming months, following its modest slowdown in May.

Industrial production rose 0.4% last month, after rising a revised 1.1% in April, the Federal Reserve Board said. Consumer-goods manufacturing didn't increase at all, but business and defense-equipment makers boosted production sharply.

Separately, a Labor Department report indicated that for the second consecutive

Producer Prices



month, producer prices in May didn't increase. A slight rise in non-food prices was offset by a 1.2% decline in consumer food prices from their previous highs, which were largely a result of bad weather.

The industrial production figures seem to confirm a slower economic growth rate. Production and purchases of consumer products eased, while business purchases of capital equipment provided the major impetus to the economy. "We are heading toward a phase of more moderate, but better-balanced economic growth," said John Albertine, president of the American Business Conference, a group of medium-size, high-growth companies.

But some analysts contend the rise in interest rates in recent months might be causing the economy to head toward stagnation. They note that production of construction supplies fell 0.1% in May, signaling a decline in the housing industry.

Producer-Price Index

"It's obvious we are in a transition toward slower growth," said Lawrence Chimerine, chairman of Chase Econometrics in Bala Cynwyd, Pa. "The key question is how slow. We still believe it will slow further to a flattening out or a new recession" by early next year, he said.

Producer prices were remarkably moderate last month. Even excluding sharply falling food prices, the producer-price index rose only 0.3%, about the same as in the previous three months. And if the boost in energy prices, which are volatile, also is excluded, other finished goods prices rose only 0.1%.

"We've got inflation pretty well in check" for 1984, said Donald Ratajczak, director of the economic forecasting project at Georgia State University. But he noted that crude materials prices, excluding food and energy, which tend to be a signal of coming inflation, jumped 2.6% in May after rising 2.9% in April. "We can't be too sanguine about what's going on here, but we can't be overwrought," he said.

The May rise in industrial production was the 10th consecutive increase. The 1.1% increase in April, previously reported as a 1.4% rise, followed a 0.5% rise in March.

Business-equipment manufacturing rose 0.9% in May, the same as in April. Defense and space production rose 0.8% after rising 2.1% in April. Consumer-goods production was unchanged, after rising 1.1% the previous month.

Output of intermediate products grew 0.3%, down from 0.6% the previous month. Materials production rose 0.5%, down from 1.1%.

Durable-Goods Production

Production of durable goods, which are intended to last more than three years, showed 0.5% growth in May, following April's growth of 1.3%. Nondurables rose 0.2%, following a 1.2% increase the previous month. Output of U.S. mines rose 1.8% after dropping 0.8% in April while utilities production rose 0.6% last month after dropping 0.3% in April. All numbers are seasonally adjusted.

The industrial production index for May stood at 163.2% of its 1967 average, up 13% from May 1983 (see chart on page one).

The two months of flat producer prices followed a 0.5% rise in March and a 0.4% increase in February.

Food Prices

Wholesale food prices fell 1.2%, after dropping 0.6% in April. Food prices had climbed sharply during the first three months of the year, reflecting bad weather.

Other finished goods rose 0.3%, up from 0.2% in April. Finished energy goods rose 1.5% after rising 0.7% the previous month.

Capital-equipment prices increased 0.2% after rising 0.3% in March and April.

Before adjustment, the producer-price index for finished goods rose only slightly to 291.5% of its 1967 average, from 291.4%. It was up 2.6% from May 1983.

Prices for intermediate goods, which still require some processing, rose 0.3% in May after rising 0.1% in April. Prices for crude goods dropped 0.9% after falling 0.1% the previous month.

The New York Times

—NEW YORK, SATURDAY, MAY 19, 1984—

U.S. ECONOMY GREW AT HIGH 8.8% RATE IN FIRST QUARTER

Corporate Earnings Advanced
— Figures Signal Upturn
Will Continue Into '85

By **ROBERT D. HERSHEY Jr.**
Special to The New York Times

WASHINGTON, May 18 — The economy raced ahead at an 8.8 percent annual rate in the first quarter, even faster than previously estimated, the Commerce Department reported today.

The department also reported that after-tax corporate profits rose in the March quarter following a dip late in 1983.

The new figures were regarded as further indicating that the 18-month-old recovery, which many economists say is threatened by very high interest rates, will endure well into 1985.

However, in what is becoming an increasingly frequent response to apparent good news about economic growth, stock prices fell broadly today. Traders said they feared the continued brisk pace of expansion would keep interest rates high and could lead to an abrupt downturn in the economy.

'Robust Economic Recovery'

"We have a strong, robust economic recovery going," said Sidney L. Jones, Under Secretary of Commerce.

The 8.8 percent rate of growth in gross national product compares with a preliminary figure of 8.3 percent for the January-March period and an initial "flash" estimate of 7.2 percent.

In its first report on profits for the quarter, the department said after-tax corporate earnings rose at an annual rate of 3.9 percent. This gain, which followed a decline of eight-tenths of 1 percent for the last three months of 1983, was said to be about in line with the growth in the economy.

The main reason for the upward revision for the G.N.P., which measures the total output of goods and services, was hefty upward revision in the stock of goods held in inventories. These stocks rose at a rate of \$21.4 billion, or \$3.5 billion faster than estimated last month.

Analysts said that it appeared that the bulk of the inventory growth reflected business demand for products rather than an involuntary buildup that often signals an unexpected decline in sales and a faltering economy.

"Strong gains in consumption have raised business confidence to the point where business is once again willing to hold inventories," said John M. Albertine, president of the American Business Conference, a group of medium-sized corporations.

Over all, inventory building accounted for nearly two-thirds of the 8.8 percent gain in G.N.P., which amounted to \$33.5 billion in constant 1972 dollars.

Personal consumption expenditures and fixed business investment were also strong, rising \$2.8 billion and \$1.1 billion, respectively, above the preliminary estimate, the department said.

Some economists said they were also encouraged by the inflation data published by the department today. As measured by the so-called G.N.P. deflator — a gauge that reflects changes in both prices and composition of output — the first-quarter inflation rate was a 3.7 percent, down from the 3.9 percent in the fourth quarter of last year.

The fixed-weighted price index, which is based on 1972's output mix, showed an inflation rate of 4.8 percent, up from 4.2 percent in the December quarter.

These figures, Mr. Jones said, suggest that "overheating" of the economy is not yet in sight despite the fact that several industries are operating at close to their limits.

High Capacity Utilization Rates

On paper, for example, the capacity utilization rate is 98.5 percent, compared with the 1978-80 peak of 95.1 percent. The operating rate is also above 90 percent for electrical machinery and for rubber and plastics products.

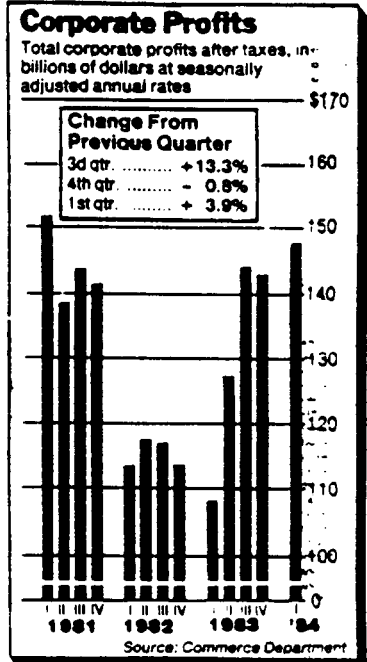
"I do not think the pace we're going at implies a necessary resurgence of inflation," Mr. Jones of the Commerce Department said.

But Alan P. Murray, a vice president at Citicorp Information Services, was somewhat less confident.

Today's report, taken as a whole, he said, "does give you some concern about what might lie ahead for inflation down the road." He and others pointed to extremely heavy private demands for credit that reflect the rapid growth of the economy.

On Thursday, the department reported that personal spending soared 1.1 percent in April, and the Federal Reserve's chairman, Paul A. Volcker, noted recently that industrial production had now rebounded 19.1 percent from its recession low point, compared with a 14.8 percent average at this point for all sustained postwar recoveries.

Virtually no one, however, expects



The New York Times May 19, 1984

the January-March rate of expansion to continue, despite a brisk start to the second quarter in April.

"The stockbuilding process should continue to drive the economy in the second quarter, albeit at a slower pace of about 5 percent," said Jerry J. Jasinowski, chief economist for the National Association of Manufacturers. "By the summer, however, inventories will have been substantially rebuilt and the economy will slow sharply in the second half, with growth rates falling to the 2 to 3 percent range."

Data included in the first revision of the gross national product for the first quarter of 1984 follow, with all dollar amounts in billions at seasonally adjusted annual rates. Percentage changes are from previous quarter at seasonally adjusted annual rates:

Current Prices	Last Quarter	Pct. Chg.
Gross National Product	\$3,541.6	+12.8
Consumption	2,287.8	+10.6
Business investment	384.8	+11.5
Inventory change	+69.3	n.a.
Housing	147.2	+26.7
Net exports	-54.6	n.a.
Government	707.5	+ 4.9
Memo: Final sales*	3,472.3	+ 6.7

1972 Prices

Gross National Product	\$1,606.0	+ 8.8
Consumption	1,049.6	+ 6.9
Business investment	182.0	+14.6
Inventory change	+30.1	n.a.
Housing	59.7	+25.7
Net exports	-10.3	n.a.
Government	290.7	- 2.2
Memo: Final sales*	1,575.9	+ 3.2
Memo: Fixed-weighted price deflator		+ 4.6
Memo: Implicit price deflator		+ 3.7

* G.N.P. less inventory change.

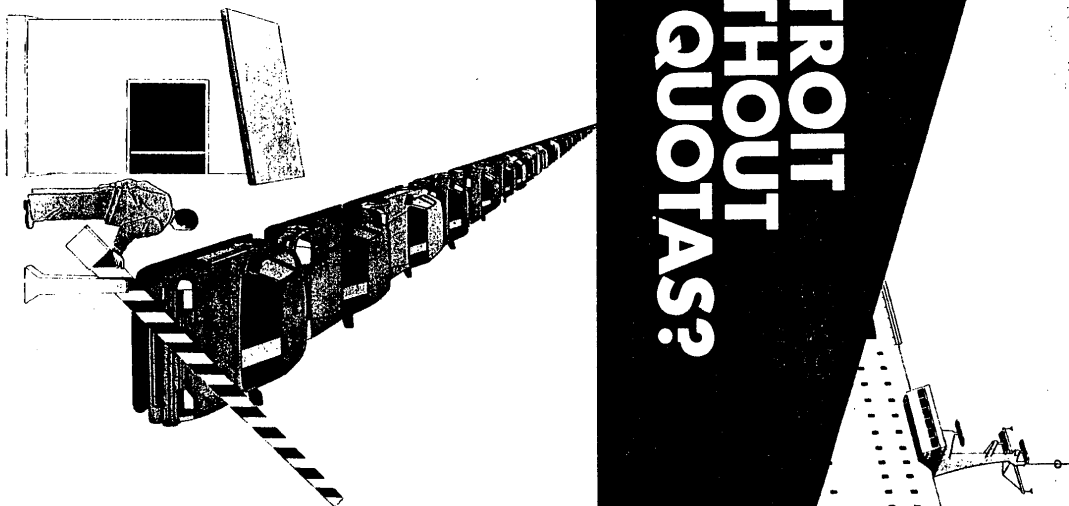
n.a. Not applicable

Source: Commerce Department

JUNE 25, 1984

F O R T U N E

**CAN DETROIT
LIVE WITHOUT
IMPORT QUOTAS?**



**MANIPULATING
PROFITS:**

- HOW MANAGERS
DO IT
- THE SPECIAL CASE
OF AMERICAN
EXPRESS

**WHAT IF MONDALE
WINS AFTER ALL
TURMOIL AT THE
READERS DIGEST**

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POLITICS & POLICY

WHAT IF MONDALE WINS AFTER ALL

He drops promises the way an oak tree drops acorns, but deficit cutting (mainly by raising taxes) would probably take precedence over social programs. He'd be an active President, emphasizing conciliation. He says he even expects business to like him.

■ by Anna Cifelli

WALTER MONDALE'S favorite line about himself is "What you see is what you get." Critics see him as a candidate even readier than most to promise whatever the audience of the hour wants. One columnist compares the reserved Minnesotan to Zelig, the human chameleon in the Woody Allen film who takes on the appearance of whoever is around him. Still, Mondale's record in public office—as Minnesota attorney general in the early 1960s, as Senator from 1964 to 1977, and as Vice President under Jimmy Carter—does offer clues to what he'd be like in residence at 1600 Pennsylvania Avenue. Interviews with the candidate (see page 104), his wife, Joan, a dozen close advisers, and many other old Washington hands provide additional insights.

Though battered politically and personally by his clashes with Gary Hart, in the days just prior to the California and New Jersey primaries Fritz Mondale still seemed the man most likely to be the Democratic nominee for President. To be sure, the man most likely to win the 1984 presidential election still seemed to be Ronald Reagan. But the unpredictability of events between now and election day keeps Reagan vulnerable and makes it reasonable to wonder what might be expected from a Mondale White House.

Close observers of Mondale think his presidential style would fall somewhere between those of his two immediate predecessors. His first 100 days in office would hardly evoke Reagan's feisty beginning of 1981—sweeping executive orders to ease business's regulatory burden and a bold stab at testing supply-side economic theories. Nor would Mondale emulate Carter's picayune start of canceling 18 water projects to kick

RESEARCH ASSOCIATE Susan Kuhn

off a war on pork barrel politics. President Mondale would launch his Administration with a call for reconciliation with the Soviet Union on arms control, an immediate summit meeting, and a new era of detente. That broadly symbolic act would strike the conciliatory tone that Mondale favors in both domestic and foreign affairs.

Mondale would be a hands-on President. Carter caved in under a nose-to-the-grindstone operating style; Reagan relaxed into a distant chairman-of-the-board role. Mondale's model is that of a chief executive who guides strategy, leaves details to subordinates, but keeps a close eye on how the job is done. His day would start with an 8 A.M. meeting with a small group of advisers and end around 6:30 P.M.—when, the quintessential pol, he would prop his feet on the presidential desk, loosen his tie, take out a cigar, and hash over politics with aides.

He would relish life in the Oval Office. On the campaign trail and in a 1975 book, Mondale has lashed out at what he calls an "imperial presidency" with trappings of a monarchy. But he gives signs of enjoying the perks of office, such as the lavish digs he occupied as Vice President. Not for him the empty gesture of selling off a yacht—if Jimmy Carter had left him one to sell. The starchy Minnesotan would change life on the Potomac, however. The Reaganites' glitzy furs and limos would go the way of Carterite jeans and grits. Enter sturdy cloth coats and American arts and crafts.

When it comes to Congress, Mondale could well be the fastest starter since Lyndon Johnson, particularly if the Senate returned to Democratic control—a switch of five seats would put the Democrats in charge. The former Vice President's ties to Capitol Hill are intimate, and even with a Re-

publican Senate he might well get the tax hikes that are high on his agenda—a cap on the third year of Reagan's tax cuts for high-income individuals, a surcharge on the wealthy, and a corporate minimum tax. He has pledged to halve the deficit; to do it he would raise taxes, slow the growth of defense spending, and contain health costs. Says William Galston, a professor of government who has taken a leave from the University of Texas to be a Mondale issues aide: "The time for Band-Aids is over. In order to work, our budget proposals have to come early and be carried out with persistence."

Mondale has promised a shopping cart of social programs. But pledges to restore New Deal and Great Society programs cut back by Reagan could be unfulfilled. A deficit-basher in the campaign, Mondale casts himself as the President who could tame the federal budget. If elected, he would be under pressure to follow through—and efforts to cut the deficit would probably take precedence over large spending increases. He would try to add credence to the popular Democratic notion that it took the conservative Richard Nixon to break the ice with China, and it will take a liberal to tackle the deficit.

Judging from his record as Vice President, Mondale will be an active President. He maintained an office in the White House, the first Vice President to do so for an entire term, and used the proximity to Carter to advance his views. In his 1982 book, *Keeping Faith*, Carter acknowledges Mondale's influence, though he adds that he didn't always follow his Vice President's advice. Mondale fought cuts in domestic programs and decried the cancellation of a \$50 tax rebate that Carter had promised early in the Administration. On some defense cuts, like killing the B-1 bomber, Mondale and Carter saw eye to eye. Says



Devoted adviser John Reilly and Mondale, both 56, grab a few words at a California airport while rushing to a campaign event.

Paul Light, author of *Vice-Presidential Power* and a fellow at the Brookings Institution: "Mondale was worth billions of dollars in defense cuts and billions more in restored social spending."

On social issues his Senate record shows more of the same: mainline liberalism and faith that government can cure society's ills. Once dubbed Mr. Busing for his strong support of busing children to integrate schools, Mondale focused on issues like civil rights, child care, and the plight of migrant workers.

POLITICAL SCIENTISTS argue that Mondale's orthodox-liberal mask has shown signs of cracking since his Senate and vice presidential years. "If Mondale were campaigning on his current platform in 1978, he'd be run off as a reactionary," says Norman Ornstein, a political analyst with the American Enterprise Institute. Once in the Oval Office, Mondale would undoubtedly turn more pragmatic, just as Reagan has. Aides like to point out that Mondale gained fiscal experience on the Senate's Finance and Budget committees.

Though he was an early ally of Ralph Nader in making auto companies recall defective cars, his aides say Mondale's reaction to business issues is not knee-jerk liberalism.

After his vice presidency Mondale plunged into the corporate world. "Progressives," Mondale opined in a *New York Times* article three years ago, "have not really been so much at odds with business as uninterested in it." About that time he joined the boards of Control Data and Columbia Pictures, and took a lucrative job in Washington with Winston & Strawn, a Chicago law firm with a number of corporate clients. "He knew he was never going to have fanatic business backing, but he was trying to neutralize the false concerns about him by business," says Bowman Cutter, associate director of Carter's Office of Management and Budget and now a partner in the accounting firm of Coopers & Lybrand. Mondale says business is going to be pleased with him. As he says it, though, he sounds like a missionary hoping potential converts will take the great leap of faith and follow him. Converts so far have come mostly from small businesses, lured by

a sweet promise to eliminate the capital gains tax on new investments.

Mondale's corporate supporters believe he deserves business's respect. Lee Kling, chairman of Landmark Bancshares of St. Louis, a bank holding company, says, "Mondale will surprise businessmen who think he's an ultraliberal. The Democrats and Mondale have become fiscal conservatives." Though a corporate tax hike, not tax reform, is at the heart of a Mondale budget package, his closest economic advisers, like Cutter and George Perry, an economist with the Brookings Institution, say that could change. "I'd like to see some tax reforms, and I wouldn't exclude them in a Mondale presidency," says Perry.

Another Mondale backer is former Du Pont Chairman Irving Shapiro. Eighteen months ago Shapiro and other advisers spent a couple of days with Mondale on Maryland's Eastern Shore talking economics. Shapiro says he no longer considers Mondale a "wild liberal," and he dismisses his candidate's tax proposals as "campaign rhetoric." Says Shapiro, "What we're really going to need is

POLITICS & POLICY



Campaign manager Jim Johnson chats up the press in Washington. Johnson could be Mondale's White House chief of staff.

Press secretary Maxine Isaacs runs a tight ship on the Mondale campaign. She could be the first woman to be a presidential press secretary.

some sort of tax reform." Most businessmen, of course, aren't that ready to accept Mondale's tax-raising talk as mere campaign rhetoric. Jack Albertine, president of the American Business Conference, an organization of fast-growing companies, says that 90% of his members back Reagan.

Mondale has no wonderfully seductive economic formula, like Reagan's supply-side theory, and no equivalent to Reagan's exotic economics guru, Jack Kemp. His advice comes from traditional liberal economists like Perry and Walter Heller, chairman of the Council of Economic Advisers under Kennedy and Johnson. Last year Mondale asked Henry Reuss, the former Wisconsin Congressman, to gather ideas from economists, including John Kenneth Galbraith and the late Otto Eckstein. Reuss's mandate was to report on ways to achieve full employment without inflation. Not surprisingly, one recommendation was for wage and price controls. Reuss says Mondale was "only mildly sympathetic" to the notion, on the ground that it "provides only marginal benefits."

Mondale is committed to what's known as industrial policy—a potpourri of schemes to make government an active participant in industry through such measures as tax incentives and, in some versions, a Reconstruction Finance Corporation to direct capital to industries that government wants to encourage. Representatives from government, business, and labor would thrash out problems of ailing industries. Stuart Eizenstat, Carter's top aide on domestic affairs and one of Mondale's main advisers on industrial policy, believes Mondale would set up such tripartite councils within the first 100 days. Business-

men argue that the market does better than the government at allocating capital and deciding which companies should have advantages. But his support for a related measure—a domestic content bill, which requires that autos sold in the U.S. be manufactured mostly with American materials—appears to be little more than a bow to labor. Lately he's characterized the notion as merely tough talk to trading partners. None of his main trade advisers—Eizenstat, Alan Wolff, another Carter aide, or economist Heller—say they approve of domestic content legislation, and Mondale would probably not push it if elected.

ON FOREIGN POLICY Mondale would try to show more muscle than Carter but not so much as Reagan. He disassociates himself from Carter's kid-glove treatment of the Soviet Union—though there's dovish rhetoric in his background, including opposition to the MX missile and the B-1. He would try John Kennedy's approach of challenging the Russians on arms control by calling for a moratorium on underground nuclear testing and a mutual withdrawal of battlefield nuclear weapons from Europe's front lines. Like Carter, he would emphasize human rights in foreign policy. He would probably not join those Democrats who are turning toward isolationism. He's been slower than many to criticize Reagan for dispatching troops to Grenada and Lebanon. Although he has opposed aid to El Salvador unless it is linked to greater human rights advances, he would retain U.S. military advisers in Central America.

The ranks of a Mondale Administration

would be chock-full of old Washington hands. He would round up a kind of synod of Democrats with government experience and political savvy. If his campaign organization is any indication, he'd run a well-greased political machine. A coterie has stuck with him since his Senate years; the innermost core looks like a sort of Minnesota mafia.

In line for the chief-of-staff job in a Mondale White House is his campaign manager and alter ego, James Johnson, 40. The son of a Minnesota politician, Johnson has keen political instincts. Reserved and cerebral, he is so controlled that a co-worker once said, "Jim gets up in the morning and lays out his sentences for the day." He joined Mondale after working on Ed Muskie's 1972 presidential campaign and a stint as public affairs director of Minneapolis's Dayton Hudson Corp., a retailing chain.

Another Minnesotan, Michael Berman, 44, could be deputy chief of staff. The roly-poly campaign treasurer talks casually, stockinged feet on his desk, as he alternates between puffing on a pipe and popping licorice. An astute lawyer, Berman has been a devoted Mondale man since Mondale was Minnesota's attorney general 20 years ago.

A third Minnesotan, Richard Moe, 48, headed Mondale's vice presidential staff. A lawyer with the Washington office of New York's Davis Polk & Wardwell, Moe is not on the campaign payroll but volunteered to marshal support for Mondale on Capitol Hill. Moe has played a lesser role in the campaign so that he can spend time with his children. For the same reason he would probably stay outside a Mondale White House.

A candidate for the job of presidential

POLITICS & POLICY

counselor is John Reilly, 56, a senior adviser on the campaign staff. A native of Iowa, Reilly started out in the Justice Department under Attorney General Robert Kennedy and was appointed a member of the Federal Trade Commission. Reilly's friendship with Mondale dates back to the late 1950s. A frequent traveler on the Mondale campaign trail, the gray-haired Reilly is looked on by reporters as a sort of barometer of Mondale's emotions. After a lackluster tour of Nebraska farm country, Reilly looks dejected; his eyes get misty after a rousing Mondale speech in Tampa.

Mondale could well appoint the first woman presidential press secretary. Maxine Isaacs, 36, has spent most of her professional life as a Mondale press aide, while he was Senator and Vice President. Before joining the current campaign, Isaacs was a public relations consultant in Washington for the New York P.R. firm of Kekst & Co., and would have kept close to Mondale's inner group even if she weren't dating Jim Johnson. Her style with the press is formal and detached. She has restricted access to Mondale so much that reporters covering him call his the "imperial campaign."

Like many of his predecessors, Mondale has railed against a strong White House staff that diminishes the role of the Cabinet. Mondale's corps of close advisers would probably stay in the background and off the front pages. "Mondale likes a low-key staff," says Moe. He would be likely, however, to select highly visible personalities to fill Cabinet posts. Felix Rohatyn, a partner at Lazard Frères who helped New York City stave off financial ruin, could get tapped for chairman of the Federal Reserve Board or Treasury Secretary. Mondale got to know Lee Iacocca during the Chrysler bailout talks and may

THE CANDIDATE TALKS ABOUT A MONDALE PRESIDENCY

■ FORTUNE associate editor Anna Cifelli joined Walter Mondale on the campaign trail in California and interviewed him briefly in Sacramento. Excerpts:

On the deficit and taxes: My commitment is to reduce the Reagan deficit by over 50% in the first four years. And I would do it in stages. If you tried to do it all in one year it might have a negative impact on the economy by putting too much fiscal drag in place all at once. There's no question that in addition to cutting federal spending—which I would by \$70 billion—you must also restore revenues. The question is whether you do it fairly or not. It's my opinion that the people of middle and moderate income get little or no relief. People of great wealth get tremendous relief, and I want to adjust that some. I would cap the 1983 tax cut at \$60,000 [of taxable income], putting a 10% surcharge above \$100,000, [adding] a 15% corporate minimum tax, [and making] some adjustment downward in tax preferences—I haven't worked out a specific plan yet. That's the area that accelerated depreciation would fall under. But I've got the amount [\$60 billion] that I want to get [from tax increases], and a stronger program for enforcing tax payments from the underground economy, and something else I am forgetting here, but after a good night's sleep I'll tell you what it is.

On interest rates: I don't think you can set rates by law. I think that setting specific guidelines has been counterproductive. What I would do is try to reach an accord in which the Fed would say, if you will get the deficits down by this much, barring unforeseen problems, we will permit this level of growth and will not choke the growth off. And then leave it to the Fed how they do it. It ought to be the objectives that are agreed upon and not the mechanics.

On entitlement reforms: I think Social Security needs no reform. I think it needs to be defended by a President. I'm getting

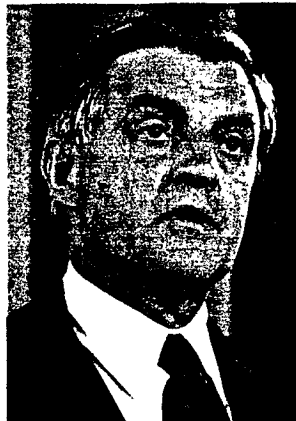


PHOTO BY GARY W. KAPLAN FOR FORTUNE

tired of these seniors being harassed—perhaps strike the word "harassed" for something different—the anxiety that seniors have to live under. We've just gone through major reform. I see that Mr. Reagan said the other day that we're going to turn it into a welfare program, but immediately the Administration had to admit that their own report showed that the Social Security program trust fund is probably going to run a surplus.

On relations with business: I think that business is going to be very pleased with me. I know that there cannot be a successful Mondale presidency unless there's a healthy private competitive environment. I know that you must

accept the realities of private capital markets. I believe in entrepreneurship, and I will provide the kind of strong leadership that I think will be reassuring to the private economy.

On deregulation: I think it's gone far enough for a while. We ought to digest the results of a mammoth deregulation period: airlines, railroads, financial communities, communications, and so on. I have not suggested re-regulating.

On his first 100 days as President: The three central objectives are to have policies that move us toward a safer world, toward a more competitive economy and a fairer nation. I will be shaping policies to try to resume momentum toward arms control and the nuclear freeze. I would try to break through this fog of tension and suspicion that seems now to prevent talks with the Soviet Union. . . . A central objective in my Administration will be to drive those deficits down. I don't think there's any hope for healthy, long-term economic growth if they stay at these levels. And I will seek new trade initiatives to achieve a more open trading environment, one which is fairer to American workers, farmers, and businesses. On the fairness issue, I will reflect my philosophy that this country must be more like a community and a family and not just some sort of invisible hand.

POLITICS & POLICY



Minnesotan Michael Berman, Mondale's talkative campaign treasurer, would be a likely choice as White House deputy chief of staff.



A Mondale friend for 24 years, Richard Moe would probably be an unofficial adviser if his candidate made it to the White House.

well keep the savior of Chrysler in mind for, say, Secretary of Commerce.

Texan Robert Strauss, a popular Washington Democrat and Carter's Special Trade Representative, already talks as if he's prepping for Secretary of State. Harold Brown, who became known in the Kennedy years as Dr. No for turning down Pentagon requests for new weapons and later served as Carter's Defense Secretary, could be asked to stage a comeback.

MONDALE HAS BEEN promising women from Trenton to Fresno that he'll tap them for jobs in offices from "Social Security to National Security." Despite the hoopla about a woman running mate, chances are slim that one will get the vice presidential nod. Polls show it wouldn't help garner votes. But the Attorney General could be a woman, perhaps former Congresswoman Barbara Jordan or Patricia Harris, Carter's Secretary for Health and Human Services.

Mondale may be too sensitive to criticism about being in labor's pocket to hand a top job to a union leader. His labor roots are deep and long, going back to a 30-year involvement in Minnesota's Democratic Farm Labor party, a progressive, populist organization. But Orville Freeman, Kennedy's Agriculture Secretary and a former Governor of Minnesota, who helped launch Mondale's career by appointing him attorney general, says, "Labor may get in the door but they won't get in his chair."

To flesh out his Administration ranks, Mondale would bring back trusted staff members from the Carter days. Among

those likely to be asked for an encore: Eliot Cutler, an associate budget director; Robert Reich, a Federal Trade Commission staffer; Fred Bergsten, a high-ranking Treasury official; and Madeline Albright and David Aaron, members of Carter's National Security staff.

Even with the best staff around him, Mondale won't quickly shed lingering questions about his effectiveness as a leader. His executive skills are untested. The jobs he has held in public life have been largely legislative and even the vice presidency gave him little opportunity to demonstrate an ability to make hard decisions and see them carried out. He is a stiff, uninspired speaker. While listening to a recent wooden speech in the sweeping Nebraska prairies, a woman whispered, "This is more fun than watching hay dry." TV is unkind to him: it adds pounds to his trim frame, lines his eyes with dark rings, and soaks up his vitality. The result, according to one viewer: "Mondale is beige."

Mondale aides worry about the stilted image but say he resists coaching and repackaging. The private Mondale is engaging, but few are allowed to get close enough to find that out. His self-deprecating wit is only rarely flashed. Asked recently if he wasn't fatigued by the campaign, he replied, "The Smithsonian Institution called today. They want my eyeballs." Hardly anyone knows that "Crazylegs" Mondale led his high school football team to victory. Or that with instruction from his music-teacher mother, he won a couple of singing contests. Or that as a college student he labored amid migrant workers inspecting pea plantings for lice. Sometimes Mondale sneaks in a personal reference or two in speeches to small groups,

but revealing himself doesn't come easily.

Bob Strauss blames Mondale's campaign staff and the press for hiding the true Mondale. The real Fritz, Strauss says, "wears chinos, drinks beer, and likes to be surrounded by good friends and have a steak." Asked about her husband's image, Joan Mondale shrugs her shoulders and says, "He's Norwegian. When you grow up in a farming community and everyone is private in a reserved Scandinavian tradition, that's the way you are. He's not going to change." Reagan's great asset, showmanship, could be Mondale's greatest deficiency. Don't look for many televised press conferences, but for quiet negotiations offstage.

In the White House Mondale would not aspire to be like Jimmy Carter, but like Hubert Humphrey, his mentor and the Happy Warrior of many presidential campaigns. Ironically, Humphrey himself raised a question about Mondale's future as early as 1973, when he wondered publicly whether Mondale had "the fire in the belly" to become President. The following year, after a brief flirtation with the presidential nomination, Mondale startled even his wife by saying he wouldn't seek to be a candidate for President in 1976. "I did not have the overwhelming desire to do what was necessary in order to be nominated and elected," Mondale later wrote. At the time he told reporters, "I'm tired of staying in Holiday Inns."

On his deathbed seven years ago, the story goes, Humphrey embraced Mondale and whispered, "Now it's your turn, you must carry on." If Mondale wins, it'll be because his belly caught fire at last. The challenge for him then would be to catch fire as a leader. **E**

TUESDAY, APRIL 3, 1984

Building Outlays Rose Strong 6.9% During February

Increase to \$295 Billion Rate Is Biggest Monthly Gain In Over Three Decades

By ALAN MURRAY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Spending on new construction in February was 6.9% above the January rate, the largest monthly rise in more than three decades, the Commerce Department said.

Construction spending in February ran at a seasonally adjusted annual rate of \$295 billion. That reflected not only a 9.8% rise in residential construction, which was pre-saged by February's big leap in housing starts, but also a 9.4% increase in construction by business. Industrial construction rose 13.7%.

The figures suggest that business investment in new plant is picking up considerable steam, despite persistently high interest rates.

"This is evidence that the economy continues to roar along," said Jack Albertine, president of the American Business Conference, a group of medium-size high-growth companies. Mr. Albertine said the new incentives for investment in the 1981 tax bill, which allow businesses to depreciate new plant and equipment more quickly, have more than offset the disincentive resulting from high inflation-adjusted interest rates.

Interest Rate Concerns

But rapidly rising construction spending suggests companies are also increasing their borrowing to finance construction. And that borrowing, combined with the federal government's heavy borrowing, could push interest rates even higher.

"I'm becoming more convinced that the economy is growing too strongly for its own good," said Allen Sinai, economist for Lehman Brothers Kuhn Loeb Inc. "It is fine to have robust expansion on the order of what we have had for the past year when you have a lot of slack in the economy. But it becomes a negative when the economy starts to

Mr. Sinai said the economy "can't tolerate too many more months" of such strong business investment demand combined with strong consumer demand without causing interest rates and inflation to rise.

Feldstein Dismisses Fears

Speaking to a group of Ohio bankers in Washington, Martin Feldstein, chairman of President Reagan's Council of Economic Advisers, said he "wouldn't be at all surprised" to see interest rates rise further this year. But he dismissed fears that the economy is overheating. "We are coming up from a very deep hole, so we are still a long way from the capacity ceiling," he said. He also said that the further increases in interest rates won't be large enough "to choke off the recovery."

February's 6.9% increase in construction spending was the largest since April 1946, when spending jumped 8.1%. The increase was due in part to a downward revision in January's spending to \$276 billion from the \$281.8 billion reported last month.

The 9.8% rise in residential construction brought it to a seasonally adjusted annual rate of \$128.5 billion, up from \$117 billion in January and \$108 billion in December. The 9.4% increase in private nonresidential construction raised it to \$73.3 billion, from \$67 billion in January and \$64 billion in December.

Public construction rose 3% in February to \$52.2 billion, from \$50.7 billion in January and \$49.8 billion in December.

Total construction spending in February was up 21% from a year earlier. Measured in 1977 dollars to eliminate the effects of inflation, February construction spending ran at a \$184 billion annual rate, up 6.6% from January and up 19% from February 1983.

Richmond Times-Dispatch

Wednesday, May 23, 1984

Consumer prices rise 0.5%

WASHINGTON (AP) — Spurred by higher home utility and heating bills, consumer prices rose 0.5 percent in April to more than double the rate of the previous month, the government reported yesterday.

The White House said the report showed "inflation under control," but some private economists saw worrisome signs that pressures of demand are beginning to push prices higher.

The April increase compared with a modest 0.2 percent rise in March and a 0.4 percent increase in February. The Labor Department said food prices held steady during April but that housing costs rose 0.6 percent, largely because of higher prices for residential telephone and electrical service and for heating. Home heating and utility bills rose an average of 0.8 percent following a 1 percent decline in March.

With the April increase, prices for the year have risen 5.1 percent, calculated on an annual basis. This is right in line with Reagan administration predictions and the forecasts of most private economists.

Presidential spokesman Larry Speakes said the report showed that inflation was under control. "Growth with low inflation is the surest formula for long-term prosperity," he said.

Other economists said that as the economy slows down from the rapid January-March pace of economic recovery, there is less danger of inflation reigniting.

Economist Donald Ratajczak of Georgia State University said, however, that the April report gave the first

indications that prices have begun to rise because of demand pressure — too many dollars chasing too few goods. He said this was particularly evident in increasing prices for used cars and household furnishings.

"I am not sure we can be sanguine about inflation anymore," Ratajczak said. "We are not talking about double digits and a huge surge of inflation, but the early signs are starting to crop up that maybe we are running a little too fast for stable conditions."

John Albertine, president of the American Business Council, discounted these fears and noted that other economists had also been wrong when they predicted an inflationary spiral based on the 0.6 percent rise in consumer prices during January.

"The wizards had better stir their cauldron a little longer before heralding the return of rapid inflation," he said.

The government said the cost of food bought at grocery stores fell 0.2 percent in April, the second consecutive monthly decline, aided by an 11.9 percent drop in fresh vegetable prices — their sharpest one-month decline in a decade.

The April gain in the Consumer Price Index was in line with the average 0.4 percent monthly gain posted since early 1982. Consumer prices rose 3.3 percent last year, the most moderate increase since the early 1970s. Prices rose 3.9 percent in 1982 after shooting up 12.4 percent in 1980 and 8.9 percent in 1981.

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MAY 19 1984

BURRELLE'S

Economy steams on in razzle dazzle recovery

WASHINGTON (AP) — The U.S. economy steamed ahead at a robust rate of 8.8 percent in the first three months of the year, the government reported yesterday, but analysts predicted this will be the high-water mark for economic growth in 1984.

The Reagan administration applauded the news of strong growth and one senior official predicted that not even a shut-off of oil from the Persian Gulf would be enough to derail the U.S. economy in coming months.

Most economists forecast that growth is likely to be cut in half during the current April-June quarter, but they all agreed the economy put on quite a show from January through March. One, John Albertine, president of the American Business

Business

Conference, called it a "razzle dazzle recovery."

He said recovery has gained tremendous momentum and he believes it will just keep rolling along.

The gross national product, the total output of goods and services, confounded experts who kept predicting a significant slowdown as the recovery from the 1981-82 recession entered its second year.

Instead, the Commerce Department kept revising the GNP figure

upward. The latest revision puts the growth rate at 8.8 percent, the best quarterly showing since a 9.7 percent pace from April through June, 1983.

Yesterday's revision was from a growth estimate of 8.3 percent made last month and a "flash" estimate of 7.2 percent in March. It compared with growth of 5 percent in the final three months of 1983.

The Reagan administration said there was no danger of the economy overheating and reigniting inflation.

The El Paso Times
EL PASO, TEXAS
D. 55,175 S. 36,083

MAY 19 1984

BURRELLE'S

Recovery: 'Razzle-dazzle'

U.S. economy grows 8.8% in 1st quarter

WASHINGTON (AP) — The U.S. economy steamed ahead at a robust rate of 8.8 percent in the first three months of the year, the government reported Friday, but analysts predicted this will be the high-water mark for economic growth in 1984.

The Reagan administration applauded the news of strong growth and one senior official predicted that not even a shut-off of oil from the Persian Gulf would be enough to derail the U.S. economy in coming months.

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The Friday revision was from a growth estimate of 8.3 percent made last month and a "flash" estimate of 7.2 percent in March. It compared with growth of 5 percent in the final three months of 1983.

The Reagan administration said there was no danger of the economy overheating and reigniting inflation because growth will be slowing substantially for the rest of the year.

"We have a strong, robust economic recovery going," said Commerce Undersecretary Sidney Jones, who predicted the growth rate for the rest of the year would average about 4 percent. He said those forecasting quarterly growth of between 1 and 3 percent were being too pessimistic.

Jones said the economy had such momentum behind it that "I do not think there is an external shock I can think of that would cause the economy to falter in the next nine to 12 months."

Asked about a possible cut-off of oil shipments from the Persian Gulf due to fighting between Iran and Iraq, Jones said the world was in better shape to weather such a disruption today than the 1970s because of larger stockpiles in importing nations and new supplies in the North Sea

and Mexico.

The department also reported that corporate profits rose in the first quarter of the year. After-tax profits were up 3.9 percent, compared with a decline of 0.9 percent in the final three months of 1983.

"This continues to be a razzle-dazzle recovery," said John Albertine, president of the American Business Conference. "The recovery has gained tremendous momentum and I believe it will just keep rolling along."

Not all private analysts were as optimistic, with some saying that recent increases in interest rates would begin to take their toll in three to four months, cutting into consumer demand for such things as houses and automobiles.

"By the time the summer is over, businesses are going to find that they have a lot more inventories than they bargained for," said Michael Evans, head of his own private forecasting firm. He predicted growth of 3 percent for the second quarter, but said this would drop to 1 to 2 percent for the second half of the year as businesses find themselves with unwanted stocks.

The report put GNP growth at an annual rate of \$33.5 billion in the first quarter.

Factory output rose 1.4% last month

³⁵²³
WASHINGTON
(AP) — The nation's industrial output rose a strong 1.4 percent in April, almost three times the previous month's increase, the government said yesterday, as the economy continued to rebound from its March lull.

The 1.4 percent jump in output at the nation's factories, mines and utilities compared with a modest 0.5 percent increase in March. It was the strongest improvement since a 1.5 percent jump in January, the Federal Reserve Board said.

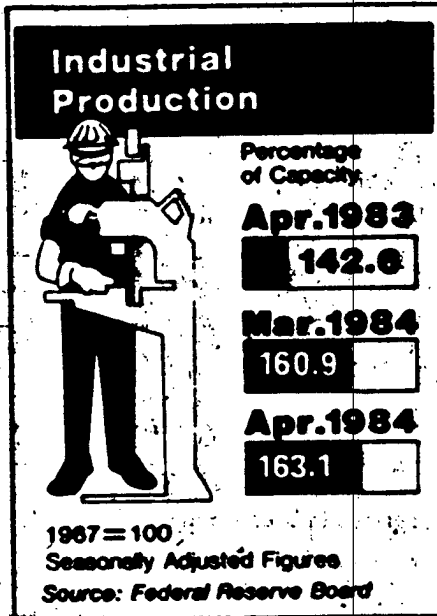
The latest figures showed strength in all areas of manufacturing, with only auto plants registering a slight drop in output. Based on the latest indicator of business activity, many economists said they were boosting their predictions for economic growth in coming months.

When a string of March reports showed much slower business activity, analysts predicted economic growth during the April-June period would be at a rate of 3 percent or lower, compared with the torrid pace of 8.3 percent in the first three months of the year.

However, economists said yesterday that the news on industrial production was just the latest indication that March activity had been depressed by bad weather and the slowdown was not as great as had been feared. Last week, the government reported retail sales rebounded strongly in April after a steep March decline.

"Despite recent increases in interest rates, the economy is continuing to move rapidly in the second quarter," said Jerry Jasinowski, chief economist for the National Association of Manufacturers. He predicted economic growth would be in the 5 percent range from April through June.

Michael Evans, head of his own forecasting firm, said he was now predicting a growth rate between 3 percent and 4 percent for this period based on the strength in the April data. He earlier had said the economy might not show any increase in the second quarter.



John Albertine, president of the American Business Conference, said the big gain in industrial production is "evidence that the recovery's momentum is continuing. It implies that we should see another drop in the unemployment rate in the next couple of months." The civilian unemployment rate has been stuck at 7.8 percent for the past three months.

Robert Ortner, chief economist for the Commerce Department, said part of the strength in April came from March activity that was delayed by unusually severe weather.

"This big jump in April may be the last of the red-hot increases," he said, predicting monthly increases in industrial production of under 1 percent for the rest of the year.

The April increase was the 17th in a row and it left industrial output 6 percent above its previous peak, reached in July 1981.

The report on industrial production said the gains were "widespread" except for auto plants, which had a slight drop, in part because of earlier-than-usual plant closings to get ready for the new model year. Auto assemblies dropped to an annual rate of 7.7 million units in April, down from 8.2 million in March.

The category of business equipment was up 1.3 percent while defense and space equipment production was up 1.7 percent.

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BURRELLE'S

Nation's industrial output rises strong 1.4 percent

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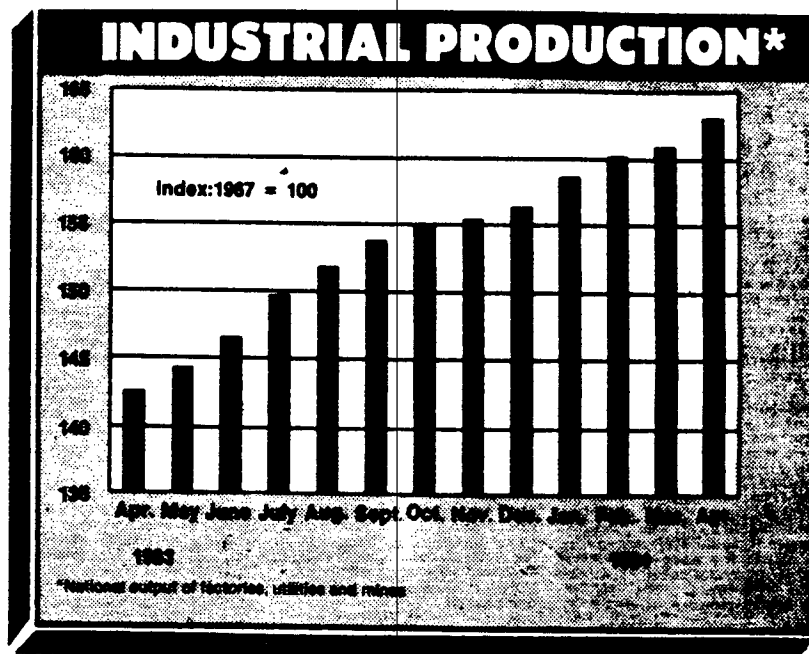
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SOURCE: Federal Reserve System

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In the overall category of consumer goods, production was up 1.1 percent in April with production of durables — products expected to last three years or more — up 0.4 percent and nondurable goods up 1.3 percent.

The category of business equipment was up 1.3 percent while defense and space equipment production was up 1.7 percent.

By industry, manufacturing output gained 1.5 percent in April while utility output edged up 0.2 percent. Mining was down 0.2 percent during the month due to a decline in coal production.

The April rise left output at 163.1

Prices up, and March data suggest economy slowing

WASHINGTON (AP) — Inflation rose slightly last month as the nation's recovery slowed, according to government reports released yesterday. However, more than half of March's 0.5 percent increase in wholesale prices was caused by a surge in fish prices.

U.S. automakers, meanwhile, kept their robust sales recovery intact in early April, with sales 33 percent ahead of the comparable period a year ago.

In March, the second-largest wholesale inflation figure in 16 months was "really a fish story," said Robert Ortner, the Commerce Department's chief economist.

Without the 30.2 percent rise in fresh fish prices, he said, prices in general would have risen only 0.2 percent. And he added, "If food prices settle down as we expect them to, I think we will see inflation continuing to run at a moderate rate through the rest of this year."

John Albertine, president of the American Business Conference, agreed, saying of the new figure: "I don't see how this represents a resurgence in overall inflation."

Other reports yesterday showed production in the nation's factories and mines slowing to a 0.4 percent increase in March and business inventories rising to a record level as sales fell off in February. (Details, page A-2.)

Those figures, coupled with Thursday's report of a big decline in March retail sales, supported the growing assumption that the recovery is slowing after more than a year of rapid gains.

That could mean a slowing, too, in employment growth. But it would be welcomed by those who have been saying the strong growth was putting pressure on inflation and interest rates, both of which rose in the first three months of the year.

Thursday's Federal Reserve report of a big new decline

in the nation's money supply also seemed to indicate slowing in economic activity, and therefore less pressure on interest rates.

The Labor Department reported its Producer Price Index for finished goods rose 0.5 percent after increases of 0.8 percent and 0.4 percent in January and February, respectively. Food prices rose 0.8 percent, but they would have declined slightly if not for the fish price increase, which officials blamed on bad weather that halted fishing off the Northeast. Energy prices dropped 1.2 percent for the seventh decline in nine months.

Despite the recent evidence of an economic slowdown, inflation during the first three months of this year was rising at an annual rate of 6.1 percent. However, economists are generally sticking with forecasts in the 4 percent to 5 percent range for the year.

The Federal Reserve Board, in particular, has expressed concern that rapid growth, along with heavy federal borrowing because of budget deficits, could lead to economic "overheating" that would then push inflation up to dangerous levels.

However, private analyst Sandra Shaber, of Chase Econometrics in Bala Cynwyd, Pa., said after seeing the new reports, "The economy is not being overheated at this point, and I hope the Fed realizes that."

Other economists also seemed encouraged.

Jerry Jasnowski, chief economist for the National Association of Manufacturers, noted "some signs" of economic slowdown. But he added, "It is a good place to be now."

Albertine said, "It is hard to be definitive about the actual pace of the recovery now. However, it appears to be growing at a steady, sustained rate."

Saturday, April 14, 1984

APR 14 1984

Inflation rose slightly as recovery slowed

By ROBERT FURLOW
Associated Press

WASHINGTON — Inflation sped up slightly last month as the nation's economic recovery slowed down, new government reports indicated Friday, but more than half of March's 0.5 percent increase in wholesale prices was merely due to a huge, weather-related surge in fish prices.

U.S. automakers, meanwhile, kept their robust sales recovery intact in early April, with sales 33 percent ahead of the comparable period a year ago. The carmaker, paced by Ford Motor Co., sold 210,385 cars in the first 10 days of April compared with 157,875 a year ago.

In March, the second-largest overall wholesale inflation figure in 16 months was "really a fish story," said Robert Ortner, the Commerce Department's chief economist.

Without the 30.2 percent rise in fresh-fish prices, he said, prices in general would have risen only 0.2 percent. And he added, "if food prices settle down as we expect them to, I think we will see inflation continuing to run at a moderate rate through the rest of this year."

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Commerce Department

John Albertine, president of the American Business Conference, agreed, saying of the new figure: "While I do think this represents considerable inflation for fish prices, I don't see how this represents a resurgence in overall inflation."

Other reports Friday showed production in the nation's factories and mines slowing to a 0.4 percent increase in March and business inventories rising to a record level as sales fell off in February.

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prices dropped 1.2 percent, the seventh decline in nine months.

● The Federal Reserve Board reported industrial production up less than half the 1 percent February gain and less than one-third the 1.4 percent January rise.

● The Commerce Department said a February sales decline for U.S. businesses caused a 1.8 percent buildup in inventory stockpiles — the biggest one-month increase in nearly 10 years. Total business inventories hit a record \$527 billion.

Despite recent evidence of economic slowdown, inflation during the first three months of this year was rising at an annual rate of 6.1 percent. However, economists are generally sticking with forecasts in the 4 percent to 5 percent range for the year.

The Federal Reserve Board in particular has expressed concern that rapid growth, along with heavy federal borrowing because of budget deficits, could lead to economic "overheating" that would then push inflation up to dangerous levels.

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rics by Bala Cynwyd, Pa., said after seeing the new reports, "The economy is not being overheated at this point, and I hope the Fed realizes that."

Other details of the inflation report indicated:

● Auto prices rose 0.7 percent after jumping 1.4 percent in February.

● Capital equipment climbed 0.3 percent after a 0.5 percent rise.

● Clothing costs rose 0.5 percent after increasing 0.6 percent.

Aside from the big fish increase, prices rose for vegetables, poultry, beef and veal while declining for fresh fruits, pork, dairy products and eggs. For the first three months of the year, food prices have risen at an annual rate of 17.8 percent.

In the energy category, prices declined 2.3 percent for natural gas and 1.5 percent for gasoline in March. Heating oil costs rose 1 percent, but that was well down from February's 8.2 percent.

If March's overall price increase of 0.5 percent were repeated 12 straight months, the yearly advance would be 5.9 percent.

Economists Divided on Whether Rise In Discount Rate Heralds Tightening

By DAVE AHEARN

The Bond Buyer

WASHINGTON — Economists are divided on whether the Federal Reserve's half-point increase in the discount rate to 9% heralds a tightening of Fed monetary policy that will drive interest rates higher.

Maria F. Ramirez, senior money market economist with Merrill Lynch Economics Inc., said the discount rate increase on April 6 was merely a response to earlier increases in other key rates.

The discount rate is the interest banks pay when they borrow money from the Federal Reserve.

The financial markets expected the discount rate increase, she said, adding that "a whole percentage point had been feared" instead of the half-point gain that the Fed announced after markets closed for the weekend.

However, she warned of "the possibility for another half-point increase" in the discount rate though she has doubts "it will be in the very near future."

David M. Jones, senior vice president and economist with Aubrey G. Lanston & Co., also sees the possibility of a further half-point increase in the discount rate in late May or early June.

He sees the discount rate rise as a sign that "the Fed is ringing the alarm button" on the possible dangers of too-rapid economic growth and resurgent inflation.

The Fed recently permitted the federal funds rate — the rate at which banks borrow funds from each other overnight — to move above the Fed's range of 6% to 10%, he noted, terming that a "passive tightening" of monetary policy.

Then the Fed raised the discount rate. Mr. Jones said this active step confirms that the central bank now is embarked upon "a series of tightening steps."

The Fed wants to ratchet economic growth downward from the 7.2% estimated first-quarter expansion to a yearly rate of 4% to 4.5%, he said.

A strong economy, however, will

lead to reaccelerated monetary and credit growth in May and June, he said, precipitating "another Fed tightening move."

Higher Fed Funds Rate Seen

He sees the Fed pushing the federal funds rate to 10.5% to 10.75% around May and possibly to 11% or 11.5% by the end of June.

After that, however, he does not see further Fed tightening moves. Mr. Jones believes that the central bank will not want to make major monetary policy changes in the second half of 1984.

However, even without additional Fed moves, the prime rate — the interest that banks charge to certain business borrowers — should reach 13% by midyear, up from the current 12%, and mortgages should go to 14.5% from 13.5%, Mr. Jones said.

That should be sufficient to slow economic growth, relieving upward pressure on interest rates and permitting a possible "modest decline" of no more than a point in the fourth quarter, he said.

John M. Albertine, president of the American Business Conference, is more optimistic, saying he does not believe the discount rate rise "portends higher interest rates" generally.

"Rates will be about where they are today by yearend," he said, predicting that they will "oscillate generally around where they are now for the rest of 1984."

He said the Fed has not embarked upon a tightening of monetary policy and that the discount rate increase was merely a response to the earlier rise of the federal funds rate.

AMERICAN BANKER
NEW YORK, N.Y.
D. 16,292

APR 11 1984

A 'Mopping-Up' Move

Michael Evans, president of Evans Economics Inc., also sees the discount rate increase as a "mop-up" move by the Fed in response to rises in other rates.

He said the increase was expected in the markets and was — along with an unchanged unemployment rate — reassuring to investors concerned about possible resurgent inflation.

He sees the federal funds rate in the 10% to 10.25% range.

However, Mr. Evans said that inflation may accelerate in the second half to an annualized range of 6% to 7%. That might prompt the Fed to increase the discount rate further next fall, he said.

He also warned that the Fed "will tighten up on nonborrowed reserves even if money supply remains on target."

Richard W. Rahn, vice president and chief economist of the U.S. Chamber of Commerce, said the discount rate increase was "just catch-up" in relation to other interest rates, and predicted that the discount rate rise "is probably the final one."

There is no reason for a further increase, especially since inflation is not rising, he said.

Mr. Rahn thinks interest rates have peaked, although they "might go up a few more basis points" before trending down in late spring or in the summer.

Index for economy shows strong growth

By MARTIN CRUTSINGER

WASHINGTON (AP) — The government's main economic forecasting gauge climbed a strong 1.1 percent in January in what many analysts said was another sign that the nation can look forward to a strong economy in the first part of 1984.

The Index of Leading Economic Indicators posted its best gain since October when it rose 1.4 percent, the government reported yesterday.

Commerce Secretary Malcolm Baldrige, in an attempt to ward off concerns that the economy may overheat, cautioned that the robust January gain probably overstated the actual pace of economic growth.

The 1.1 percent rise was the 16th increase out of the past 17 months as the nation moved steadily out of the depths of the 1981-82 recession.

After the index dipped in November and posted only a slight increase in December, concerns were raised that the brisk economic recovery might be slowing dramatically.

Officials in the Reagan administration, who are hoping for good growth through the November elections, and outside economists said the latest index reading — following on the heels of a string of upbeat reports on business activity in January — should allay those fears.

President Reagan told a group of senior citizens, "A strong gain in January's leading economic indicators means this recovery isn't about to fizzle."

Reagan said the index shows the direction the economy is headed in the future, "so send away the hand-wringers because today's good news marks the 16th rise in the last 17 months of those indicators."

John Albertine, president of the American Business Conference, a trade association, said, "The hefty January increase, following two months of relatively sluggish performance, shows that many analysts have underestimated the underlying vitality of the economy."

But Baldrige said if January's increase continued it would "imply an unsustainable high rate of growth in total demand" and lead to concerns that the economy would overheat and trigger a new round of inflation.

He said this was unlikely because February's activity, including a sharp drop in stock market prices, indicates a lower index figure will be posted next month.

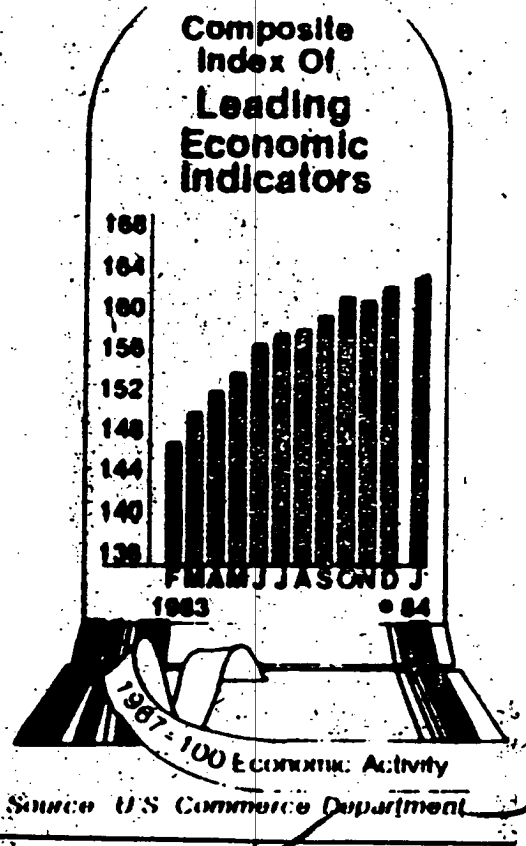
Baldrige said the average monthly increases for the last half of 1983 were 0.6 percent, which he described as "consistent with the moderate economic growth currently projected for 1984."

The forecasting index is compiled from 12 measures of economic activity. Changes in these areas are generally believed to signal changes in the overall economy three to nine months hence.

Only 10 of the indicators were available for yesterday's report. Of those 10, six showed increases.

Other indications of economic improvement were increases in the average work-week, stock market prices, manufacturers' orders for goods and orders for plant construction and equipment, and a decline in the number of new weekly unemployment claims filed.

The four indicators which decreased included the length of time companies must wait for deliveries from their suppliers, the number of new businesses being formed, the price of certain sensitive raw materials and the money supply.



STATEN ISLAND ADVANCE
STATEN ISLAND, N.Y.
D. 73,110 SUN. 30,254

MAR 1 1984

FEB 1 1984

BURRELLES

Latest rise in economic index 'confounds doomsayers,' head of business group says

The Associated Press

The latest increase in the government's economic forecasting gauge "confounds the doomsayers" and points to more economic growth ahead, says the head of a business coalition.

Among the flurry of economic reports Tuesday, the Commerce Department said its Index of Leading Economic Indicators rose 0.6 percent in December. That followed a small decline the month before and marked the 15th increase in the past 16 months.

The government also said sales of new homes rose 28.5 percent in December from a year earlier, and that sales for all of 1983 were 52 percent ahead of the 1982 total. The full-year increase was the largest since the government began keeping track of home sales in 1963.

The Labor Department, meanwhile, said average pay raises for non-union workers surpassed those of union workers last year — the first time that has happened since 1978.

The economy

Administration officials were quick to proclaim that December's figures bolstered their belief that the economic recovery will continue through this year.

Commerce Secretary Malcolm Baldrige said the growth came following "November's modest setback. With every monthly improvement in the leading index, the roots of this economic expansion grow deeper."

John Albertine, president of the American Business Conference, a coalition of high-growth companies, said the December figure "confounds the doomsayers who have been sounding the death knell for this recovery. ... I feel we are in for many more months of solid economic growth with low inflation."

But some private analysts said the December numbers pointed to a definite slowdown in economic growth.

"If you take out consumer credit, the index has been virtually flat for the past two months," said Michael Evans, who heads a Washington-based economic consulting firm. "I think that is an accurate description of where the economy is going. We are going to have a sluggish first half of the year."

In other business and economic developments Tuesday:

—U.S. Steel Corp. said it lost \$1.16 billion in 1983, including a \$983 million fourth-quarter loss that was the fourth-largest quarterly deficit in U.S. history. The latest quarterly loss compares with a loss of \$363 million in the same period in 1982.

—A study sponsored by nine U.S. manufacturing giants concluded that America's standard of living, and perhaps its status as a world power, are threatened by the recent decline of U.S. manufacturing compared with Japan and other countries.

Reagan plan to cut deficit draws praise from lobbyist

By EILEEN O'GRADY
Post Business Writer

H Post 1-27-84

President Reagan's call for a bipartisan effort to reduce the \$200 billion deficit by half in three years sounds like music to John Albertine, president of the American Business Conference.

"All the factors are in place for a four-, five-, or six-year period of rapid, non-inflationary growth," says Albertine, who represents 100 executives of the fastest-growing companies in the nation. "The end of the 1980s could be like the early '60s."

The only barrier to a prolonged growth period for the nation's business community is the deficit, he says. The regulatory climate is favorable, inflation levels are the lowest in more than a decade, and energy costs are falling.

If unrestrained, however, the deficit threatens to crowd business borrowers out of credit market or boost interest rates beyond their means.

Reduction of the deficit "doesn't solve the problem, but if Congress passes a package like that in the spring of 1984, the financial community would take off," Albertine said. "If the markets think the problem is getting worse and no one is tending it, they're restrained, but if they think the government is getting a handle on the problem, they will boom."

Five Houston executives are founding members of the American Business Conference, a

young, but already influential lobbying group in Washington, D.C.

Eugene L. Butler, president of Weatherford International; Wendell W. Gamel, chairman and president of Tech-Sym Corp.; Gerald D. Hines, chairman of Gerald D. Hines Interests; Robert A. Mosbacher, chairman of Mosbacher Production Co; and D. Dale Wood, president of Crutcher Resources Corp. are among 100 executives in the exclusive group established in 1979 by Arthur Levitt, chairman of the American Stock Exchange. Member firms have annual revenue between \$25 and \$1 billion and have at least doubled in size in the last five years.

The group has three main goals in addition to attacking the deficit: lowering the cost of capital; improving international trade; and evening out the effective tax rate for corporations.

Although the topics may seem esoteric, the results would be more jobs and higher pay for American workers, Albertine insists.

In 1982 the group called for higher corporate taxes to help balance government spending and income. The increases were included in the tax act passed last year.

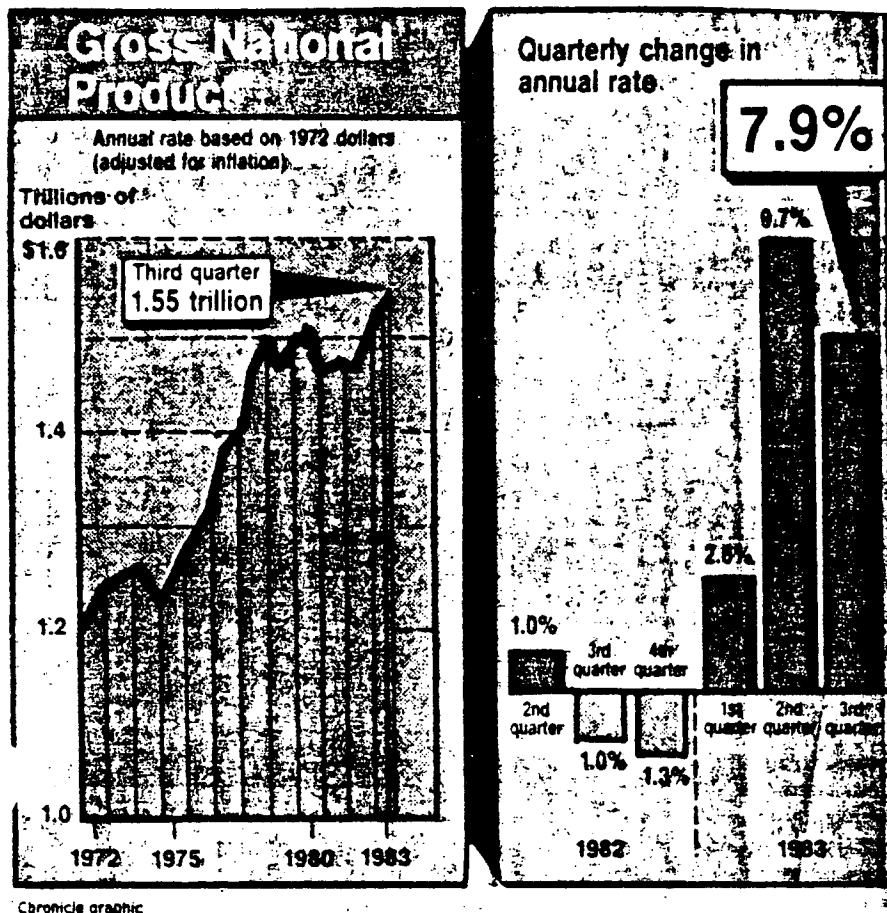
This year ABC is not calling for another business tax hike. "We really think it is time to attack the spending side of the budget," Albertine says. "Then we can go back and restructure the tax code."

Houston Post
1/27/84

HOUSTON CHRONICLE

HOUSTON, TEXAS
D. 119.870 SUN. 502.654

OCT 21 1983



Economic activity spurts

FRONT PAGE

Volcker warns that budget deficits threaten recovery

Chronicle News Services

WASHINGTON — Economic activity increased at a vigorous annual rate of 7.9 percent during the third quarter and has now recovered the production lost during the recent deep recession, the Department of Commerce reports.

Federal Reserve Board Chairman Paul A. Volcker welcomed the economic news Thursday but delivered a stern warning that massive federal budget deficits threaten to stifle the recovery and reignite inflation.

"It is an illusion to think the budgetary problem can be handled by growth alone," Volcker told Congress' Joint Economic Committee. A persistent deficit will be an "indigestible lump" in the economy, he said.

Borrowing by the U.S. Treasury to finance the deficit will drive up interest rates for other borrowers, thereby discouraging home purchases, consumer spending and business investment, the Federal Reserve chairman said.

At the White House, officials were jubilant with the new economic report. "We have emerged from a long struggle for economic vitality in this country," presidential spokesman Larry Speakes said. The economy "has moved out of the recovery phase and into expansion."

The output of goods and services, known as the Gross National Product, has been growing since the beginning of the year. The third quarter's expansion at an annual rate of 7.9 percent was significantly higher than the "flash" estimate of 7 percent issued during September, be-

fore the quarter had ended.

The economy must grow at least 3 percent a year to create jobs for new workers. The current burst of activity, with expansion occurring at an annual rate of 6.7 percent for the first nine months of the year, is steadily reducing the high level of unemployment.

The civilian jobless rate, which peaked at 10.8 percent during December, had been cut to 9.3 percent last month.

Thursday's Department of Commerce GNP report said that inflation, as measured by the GNP-linked, fixed-weighted price index, is running at an annual rate of 4.1 percent, compared with 4.3 percent in the second quarter. The third quarter

(See U.S. ECONOMIC, Page 12)

U.S. economic activity up sharply

(From Page 1)

figure had previously been estimated at 3.8 percent.

The GNP report said final sales to consumers, along with inventory buildup by businesses, rose during the quarter as economic activity increased by \$29.3 billion. The value of total output, after adjustment for inflation, reached a record-breaking annual figure of \$1.56 trillion. This measures the value of all economic transactions in the nation, from the selling of a ticket to a movie to the harvesting of a bushel of wheat.

The value of the GNP in the last quarter exceeded the previous peak reached in 1981, just before the nation tumbled into the worst slump since the Great Depression of the 1930s.

The government has said that growth in the first three months of this year was at an annual rate of 2.6 percent and in the April-June quarter at a heady 9.7 percent. It followed a 1.3 percent decline in the fourth quarter of last year, the depth of the recession.

Though the 7.9 percent reported Thursday is smaller than growth of the previous quarter, it was not as small as many economists had been predicting.

"People thought that because sales were off," said Bill Dunkelberg of the National Federation of Independent Business.

"But that's not the issue — production is," he said, noting the swing reported in business inventories, away from liquidation and toward rebuilding.

"Recovery of total output is complete," Secretary of Commerce Malcolm Baldrige said Thursday. "The economy has entered an expansion phase, although a few specific industries are lagging behind."

He said that "we are seeing a normal, healthy recovery" that is in no apparent danger of stalling or heating up inflation.

The strength of the recovery, which began in January, surprised many experts who foresaw only a sluggish movement in the economy. "If the premier economic forecasters had been betting on horses for the last two years with the same degree of accuracy, they'd be too broke to buy a bus ticket to the track," said John M. Albertine, president of the American Business Conference, a trade group of high-growth companies.

Calling for action Thursday to curb the deficit, Volcker reminded the Joint Economic Committee that the rejuvenation in business is less than a year old. "The recovery is still short, and its sustainability over time is still the key question," he said.

Volcker, siding with Martin Feldstein over Treasury Secretary Donald Regan, said that large federal deficits will keep interest rates high and may abort the economic recovery.

A public disagreement between Feldstein, chairman of the President's Council of Economic Advisers, and Regan over the effect of large budget deficits has led to the White House recently deciding to "review" and edit the speeches of Feldstein before he gives them.

Regan contends the economic recovery can be maintained even with large budget deficits in the range of \$200 billion a year.

Volcker said that some of the concern over the federal budget deficit has abated because the economy is improving more quickly than either government officials or outside experts had anticipated. He said that last year's sense of urgency, propelled by fears that the deficit would boost interest rates and cripple the recovery, has dissipated somewhat.

"Instead, with the economy growing again, there may be a temptation to try to live with historically unprecedented peacetime deficits," he said. "That course implies great hazards."

The deficit could be reduced by increasing federal revenues through higher taxes or by cutting federal spending, but Congress now seems to lack enthusiasm for either step.

Jerry Jasinowski, chief economist for the National Association of Manufacturers said that the latest figures show that the economy "clearly had enough zip to overcome" some of the factors economists say are putting a drag on business activity — the high interest rates and the widespread concern about huge federal budget deficits.

President Reagan, anticipating the favorable GNP figures, took full credit before his nationally broadcast news conference Wednesday night.

"Virtually every sector of the economy, from construction to the auto industry to high technology, is expanding, creating new hope in a more secure future," Reagan said. "We have the chance to build the kind of lasting economic expansion that this nation has not enjoyed since the 1960s."

NORFOLK, VA
THE VIRGINIAN-PILOT
D. 136,023 S. 210,539

OCT 21 1983

Robust economy regains production lost in recession

By ROBERT A. ROSENBLATT
Los Angeles Times News Service

WASHINGTON — Economic activity increased at a vigorous annual rate of 7.9 percent during the third quarter and has now recovered the production lost during the recent deep recession, the Department of Commerce reported Thursday.

The Federal Reserve Board chairman, Paul A. Volcker, welcomed the economic news but delivered a stern warning that massive federal budget deficits threatened to stifle the recovery and reignite inflation.

"It is an illusion to think the budgetary problem can be handled by growth alone," Volcker told Congress' Joint Economic Committee Thursday. A persistent deficit will be an "indigestible lump" in the economy, he said.

Borrowing by the U.S. Treasury to finance the deficit will drive up interest rates for other borrowers, thereby discouraging home purchases, consumer spending and business investment, Volcker said.

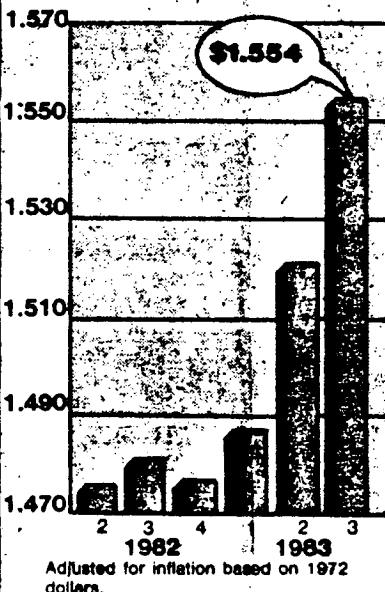
At the White House, officials were jubilant with the economic report. "We have emerged from a long struggle for economic vitality in this country," said Larry Speakes, a presidential spokesman. The economy "has moved out of the recovery phase and into expansion."

The output of goods and services, known as the gross national product, has been growing since the beginning

Gross national product

These accounts give the broadest measures of what is happening to output, income, investment, savings and prices in the whole economy. Economists use the GNP numbers to determine the growth or decline in the economy.

In billions



of the year. The third quarter's expansion at an annual rate of 7.9 percent was significantly higher than

the "flash" estimate of 7 percent issued during September, before the quarter had ended.

The economy must grow at least 3 percent a year to create jobs for new workers. The burst of activity, with expansion occurring at an annual rate of 6.7 percent for the first nine months of the year, is steadily reducing the level of unemployment.

The civilian jobless rate, which peaked at 10.8 percent during December, had been cut to 9.3 percent last month. First-time claims for unemployment benefits totaled 413,000 during the week that ended Oct. 8, a modest rise of 10,000 over the previous week, the Department of Labor said Thursday. By comparison, claims were running at a rate of at least 600,000 a week a year ago, when the nation was mired in the recession.

The Department of Commerce's GNP report said final sales to consumers, along with inventory buildup by businesses, rose during the quarter as economic activity increased by \$29.3 billion. The value of total output, after adjustment for inflation, reached a record-breaking annual figure of \$1.55 trillion. This measures the value of all economic transactions in the nation, from the selling of a ticket to a movie to the harvesting of a bushel of wheat.

The value of the GNP in the last quarter exceeded the previous peak

☐ Please see Economy, Page A2

Production lost in the recession is recovered by robust economy

□ **Economy, from Page A1** *B*
reached in 1981, just before the nation tumbled into the worst slump since the Great Depression of the 1930s.

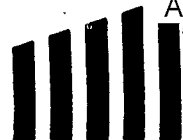
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The strength of the recovery, which began in January, surprised many experts, who foresaw only a sluggish movement in the economy. "If the premier economic forecasters had been betting on horses for the last two years with the same degree of accuracy, they'd be too broke to

buy a bus ticket to the track," said John M. Albertine, the president of the American Business Conference, a trade group of high-growth companies.

Calling for action to curb the deficit, Volcker reminded the Joint Economic Committee that the rejuvenation in business was less than a year old. "The recovery is still short, and its sustainability over time is still the key question," he said.

Meanwhile, concern over the federal budget deficit has abated because the economy is improving more quickly than either government officials or outside experts had anticipated.



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NEWS RELEASE

JUNE 1, 1984

**STATEMENT
ON
THE MAY EMPLOYMENT SITUATION
BY
DR. JOHN M. ALBERTINE
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE**

THE DROP IN THE UNEMPLOYMENT RATE IN MAY IS FURTHER EVIDENCE THAT THE RECOVERY, LIKE OLD MAN RIVER, JUST KEEPS ROLLING ALONG.

EMPLOYMENT POSTED BOLD GAINS IN BOTH THE HOUSEHOLD AND THE ESTABLISHMENT SURVEYS AND WAS ABLE TO ABSORB AN EXTREMELY LARGE GAIN IN THE LABOR FORCE. IF THE LABOR FORCE HAD NOT INCREASED IN MAY, THE UNEMPLOYMENT RATE FOR ALL WORKERS WOULD HAVE FALLEN EVEN FARTHER, TO 6.9%.

THE RECOVERY IS NOW AFFECTING VIRTUALLY EVERY CORNER OF THE ECONOMY. UNEMPLOYMENT RATES FOR BLACKS, HISPANICS, AND TEENAGERS, WHICH NORMALLY LAG RECOVERIES, DROPPED SHARPLY IN MAY.



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NEWS RELEASE

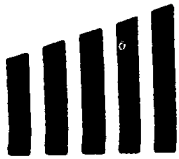
May 22, 1984

**Statement
by
Dr. John M. Albertaine
President of the American Business Conference
on
The April C.P.I.**

It's not time to jump to the conclusion that inflation is accelerating.

While the April CPI figures are a little higher than the two previous months' figures, they are not indicative of a return to mega-inflation. After a very small increase in December (0.2%) prices rose much more rapidly in January (0.6%), and the economic wizards predicted that we'd be back in the double digit range in no time. Instead, prices rose quite slowly in February and March.

I think we're back in the same position as in January. Quite often, a very sluggish month of price increases is followed by a big gain the next month. The March increase was 0.2%, so it is no surprise the April increase is larger. Month to month increases can be all over the map. If the March increase had been 0.3% and the April 0.4%, we'd all be saluting the end of inflation, but the price level would be virtually the same as it is today. The wizards better stir their cauldrons a little longer before heralding the return of rapid inflation.



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NEWS RELEASE

MAY 11, 1984

**STATEMENT
BY
DR. JOHN M. ALBERTINE
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE
ON
THE PRODUCER PRICE INDEX**

THE PRODUCER PRICE FIGURES RELEASED TODAY SHOULD ALLAY FEARS THAT INFLATION IS ON THE RISE. THE HINTS OF INFLATION THAT HAVE BEEN SEEN IN THE LAST FEW MONTHS SEEM TO HAVE EVAPORATED. PRICES WERE FLAT AT ALL STAGES OF PRODUCTION IN APRIL.

THE APRIL PPI FIGURES SHOW THAT THE ECONOMY CAN ABSORB MODERATE INFLATIONARY SHOCKS. FOOD PRICES HAVE INCREASED SHARPLY IN THE LAST FEW MONTHS, PRIMARILY AS A DIRECT OR INDIRECT RESULT OF THE DROUGHTS AND HORRENDOUS WEATHER THAT HAS PLAGUED OUR COUNTRY OVER THE LAST YEAR. IN THE PAST, AN INFLATIONARY SHOCK THAT WAS COUPLED WITH RAPID GROWTH (AS WE HAD IN THE FIRST QUARTER) WOULD HAVE BEEN MAGNIFIED AS IT PASSED THROUGH THE ECONOMY. TODAY, THE SHOCKS ARE ABSORBED. AS SUPPLIES OF GOODS INCREASE, PRICES DO NOT STAY HIGH -- THEY FALL. I HOPE THAT THE FEDERAL RESERVE WILL RECOGNIZE THE RENEWED RESILIENCE OF THE ECONOMY AND MOVE TO THE MIDPOINT OF ITS TARGET RANGE.

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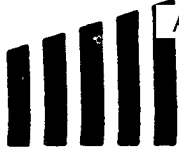
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NEWS RELEASE

MAY 15, 1984

**STATEMENT
BY
DR. JOHN M. ALBERTINE
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE
ON
APRIL INDUSTRIAL PRODUCTION**

THE BIG GAIN POSTED BY INDUSTRIAL PRODUCTION IN APRIL IS EVIDENCE THAT THE RECOVERY'S MOMENTUM IS CONTINUING. IT IMPLIES THAT WE SHOULD SEE ANOTHER DROP IN THE UNEMPLOYMENT RATE IN THE NEXT COUPLE OF MONTHS. THE LATEST FIGURES ARE PARTICULARLY GOOD NEWS, BECAUSE THE PREVIOUS MONTH'S FIGURES WERE SOMEWHAT ON THE WEAK SIDE. THIS, COUPLED WITH LOW INFLATION AND A STICKY UNEMPLOYMENT RATE, MAY HAVE LED ONE TO CONCLUDE THAT THE RECOVERY WAS GRINDING TO A HALT. THE BROAD-BASED NATURE OF THE BIG APRIL GAINS REFUTES THAT CONCLUSION AND IS EVIDENCE OF THE TREMENDOUS UNDERLYING STRENGTH OF THE ECONOMY.



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NEWS RELEASE

MAY 4, 1984

**STATEMENT
BY
DR. JOHN M. ALBERTINE
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE
ON
THE APRIL EMPLOYMENT SITUATION**

WHEN YOU LOOK BENEATH THE VENEER OF THE UNCHANGED UNEMPLOYMENT RATE, THE APRIL EMPLOYMENT FIGURES HOLD A BOUNTY OF GOOD ECONOMIC NEWS. EMPLOYMENT WAS UP SHARPLY ON BOTH THE HOUSEHOLD AND THE ESTABLISHMENT SURVEYS. MOREOVER, THE APRIL INCREASES IN EMPLOYMENT WERE LARGER THAN THE MARCH INCREASES ON BOTH SURVEYS. HOURS WORKED WERE ALSO UP SHARPLY, PORTENDING CONTINUED EMPLOYMENT GAINS IN THE COMING MONTHS.

THE UNEMPLOYMENT RATE IS A SOMEWHAT PECULIAR MEASURE OF UNDERLYING EMPLOYMENT CONDITIONS IN OUR ECONOMY. THE LABOR FORCE IS THE PROBLEM. WORKERS ENTER THE LABOR FORCE WHEN TIMES ARE BAD AND ECONOMIC NECESSITY FORCES ADDITIONAL FAMILY MEMBERS TO LOOK FOR JOBS. HOWEVER, THEY ALSO ENTER THE LABOR FORCE WHEN TIMES ARE GOOD AND JOBS ARE PLENTIFUL. IN APRIL EMPLOYMENT POSTED A MODERATELY LARGE GAIN, BUT IT WAS BALANCED BY A MODERATELY LARGE GAIN IN THE LABOR FORCE. IF THE LABOR FORCE HAD NOT INCREASED, THE UNEMPLOYMENT RATE WOULD HAVE DROPPED TO 7.4%



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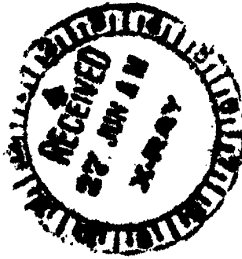
NEWS RELEASE

APRIL 30 1984

**STATEMENT
BY
DR. JOHN M. ALBERTINE
PRESIDENT OF THE AMERICAN BUSINESS CONFERENCE
ON
MARCH LEADING INDICATORS**

THE DROP IN LEADING INDICATORS IS NOT A DEATH KNEEL FOR THE RECOVERY. THERE ARE A LOT OF REASONS TO DOUBT THAT THE DECLINE IN LEADING INDICATORS PORTENDS A DECLINE IN ECONOMIC GROWTH. UNSEASONABLY LOUSY WEATHER TOOK A CHUNK OUT OF BUILDING PERMITS IN MARCH, AND PROBABLY HURT A FEW OF THE OTHER COMPONENTS, AS WELL.

SOME OF THE COMPONENTS EXHIBIT NONLINEAR GROWTH PATTERNS OVER THE CYCLE. AT THE BEGINNING OF A RECOVERY, AVERAGE WORKWEEK INCREASES AS CURRENT WORKERS PUT IN LONGER HOURS TO FEED GROWING DEMAND. AS THE RECOVERY CONTINUES, MORE WORKERS ARE HIRED TO SHOULDER THE BURDEN OF RISING DEMAND, AND THE AVERAGE WORKWEEK DROPS A BIT, AS IT DID IN MARCH. THE DECLINE IN LEADING INDICATORS MAY SHOW THAT WE HAVE REACHED AN INFLECTION POINT IN THE BUSINESS CYCLE, WITH THE ECONOMY SLOWING TO A MORE SUSTAINABLE RATE OF GROWTH.



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